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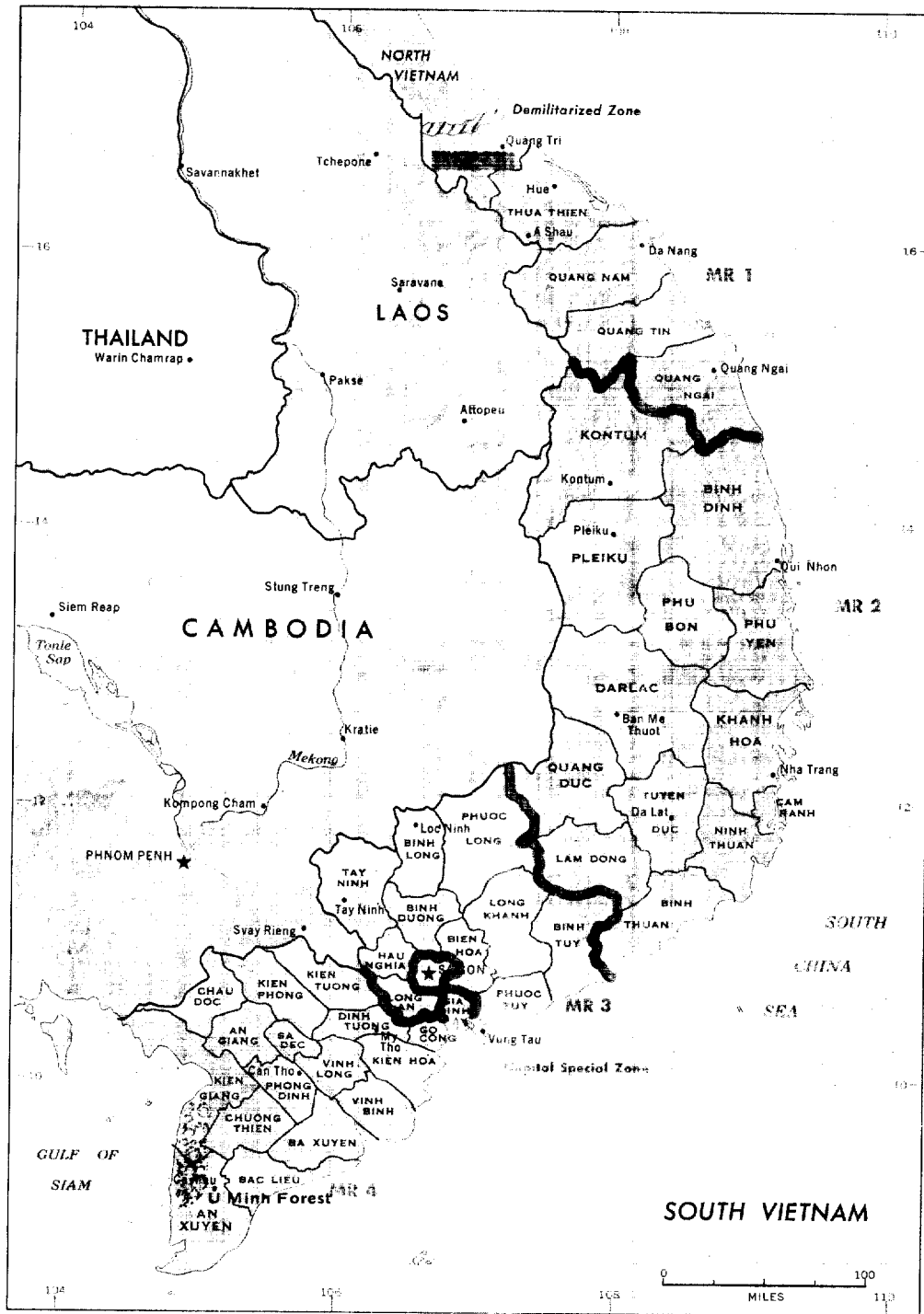
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SOUTH VIETNAM: Communist resistance has stiffened against South Vietnamese operations to clear the U Minh Forest in the western delta.

Recent coordinated attacks on positions established by the South Vietnamese 21st Division have inflicted substantial friendly casualties and represent the most vigorous enemy countereffort since the South Vietnamese entered the Forest in strength some ten months ago. Two Viet Cong defectors and a prisoner recently claimed that elements of both the North Vietnamese 95th and 18B regiments were preparing for such attacks and there have been several agent reports that the Communists may also mount attacks in other areas of the delta to support indirectly the planned campaign in the U Minh.

In addition to the need to counter the South Vietnamese operations, Communist attacks may have been timed for late September in response to appeals from higher commands to launch attacks in strength before President Thieu's referendum on 3 October.

Enemy units elsewhere in South Vietnam may launch additional brief attacks in strength. The most threatened area remains near the DMZ. Although some enemy forces have withdrawn to southern North Vietnam, three divisions are near the DMZ and any of these could move south on short notice. The government's Lam Son 810 operation in western Quang Tri Province in South Vietnam may inhibit the North Vietnamese to some extent from returning to this battlefield in the near future. Enemy units may increase offensive activity in the central highlands and other regions, but this is not likely to begin until after the monsoon rains ease in mid-October.

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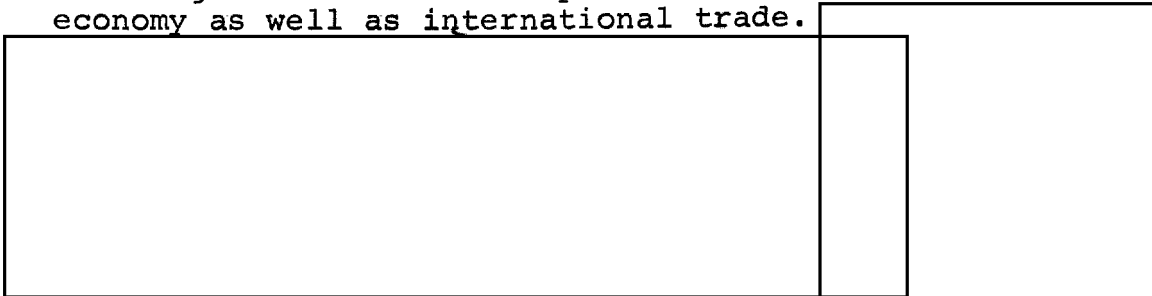
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INTERNATIONAL ECONOMIC DEVELOPMENTS: The hardening of positions reflected in this week's meetings of the Group of Ten finance ministers is unlikely to change substantially before the Group's deputies meet on 25 September.

That meeting, which will precede by one day the next scheduled finance ministers' meeting, has no fixed agenda. The lack of agreement on agenda mirrors the stalemate between the US and the other Group members over the issues of dollar devaluation and lifting of the ten-percent import surcharge. Between now and the deputies' meeting, however, an OECD working party is to come up with a judgment on the scale of the US balance-of-payments adjustment, which it believes is necessary, and the impact of that adjustment on other countries. The other Group of Ten members, who also participate in OECD, expressed some alarm at the implications for the world economy of a \$13-billion shift in the US balance of payments.

In related developments, the GATT Council has adopted a report urging early removal of the ten-percent surcharge. The report, drawn up last week by a GATT working group, concluded that the surcharge was "inappropriate" and was not compatible with GATT. It also warned that maintenance of the surcharge could have disruptive effects on the world economy as well as international trade.



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JORDAN-FEDAYEEN: A rash of terrorist and sabotage incidents in recent weeks probably is largely the work of maverick Fatah elements operating with members of more radical fedayeen groups.

On 8 September a Royal Jordanian Airlines flight from Beirut to Amman was hijacked to Benghazi, Libya, by a member of Fatah. On the same day, the pipeline carrying oil from Saudi Arabia's eastern province to the Mediterranean was ruptured in Jordan not far from the Syrian border; no organization has claimed responsibility for the act. Two bombs exploded and one was dismantled in Amman on 12 September, although the incidents received no publicity. This week, another hijacking attempt was made by a Fatah commando, a bomb was placed in a Jordanian hotel, and new breaks occurred in the pipeline in two places.

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[redacted] a group of dissidents in Fatah, some in positions of considerable importance, has joined with a group from the Popular Front for the Liberation of Palestine (PFLP) to torpedo any possibility of reconciliation with the Jordanian Government. This group is specifically targeted against Royal Jordanian Airlines and is planning to hijack another plane within the next three days.

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[redacted] the pipeline sabotage was a joint operation of the PFLP and two other radical commando groups; Fatah's complicity is unclear.

Jordan is intensifying its security precautions and is pulling no punches in dealing with convicted fedayeen. Two, presumably PFLP members, were recently executed, despite the fact that publicity given to their hangings will not advance the on-again off-again "conciliation" conference in Jidda.

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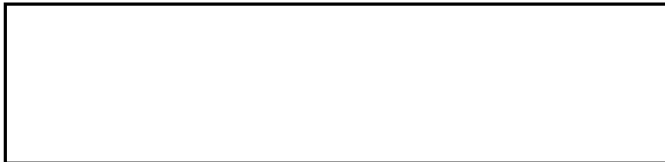
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PAKISTAN: The civilian cabinet appointed in East Pakistan yesterday is likely to be of only minor help in government efforts to win popular support among Bengalis.

The appointment of all East Pakistanis to the new cabinet is apparently designed to give the impression of a further step toward restoring civilian rule and that East Pakistanis will be allowed to run their own affairs. This latest action, however, is unlikely to be viewed by the great majority of Bengalis as more than window dressing to disguise continued army control over the East wing.

Most members of the cabinet have been fairly prominent in East Pakistani politics in the past, and several have served in national assemblies. Only two, however, are former members of the banned Awami League--the party that swept elections in East Pakistan last December--and these two are regarded as turncoats by many Bengalis. Most of the rest are from parties that favor a stronger central government than does the League, and which did poorly in the elections. Four of the cabinet members were badly defeated in races for the National Assembly.



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NIGERIA: The government is moving to increase its control of Nigeria's rich oil resources.

Nigerian demands for majority participation in long-pending offshore oil concessions apparently are about to be met. Producers originally balked at giving the government a major say in management decisions, but Occidental Petroleum has now presented a compromise formula. It allows the government 51-percent participation in the concessions but requires unanimity on "major decisions," according to an industry journal. Nigeria also would get production bonuses and educational grants. If the government accepts this formula, it presumably will become the basis for negotiations with other international oil companies bidding for offshore concessions, some of which may refuse to go along.

In addition, an agreement has been reached for the Nigerian Government to exercise its previously announced option to take one-third participation in the AGIP-Phillips operation in Nigeria. It already holds a 35-percent interest in the local operation of SAFRAP, a French-owned company, that it acquired as a condition for allowing the company to resume production earlier this year. Nigerian shares of all ventures probably will be held by the recently established Nigerian National Oil Company (NNOC).

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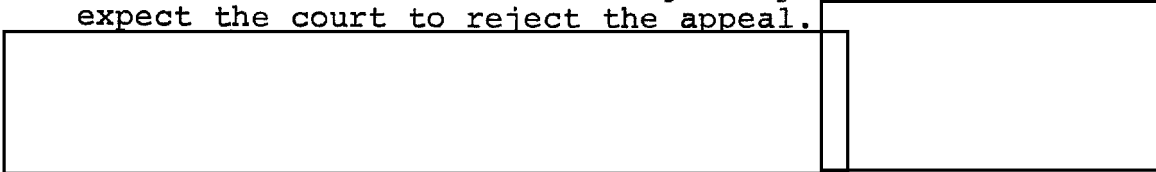
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AUSTRIA: Chancellor Kreisky and his Socialist Party are increasingly optimistic about their chances of gaining an absolute majority in the national elections on 10 October.

Kreisky's prospects have been improved by the decline in the fortunes of the Communists, who are not expected to win any representation in the new parliament, and by some abatement of the public dispute over the recent reforms of the armed services.

In the event that Kreisky fails to obtain an absolute majority, he would prefer to form a coalition with the small Freedom Party (Liberals), a post-war party of quasi-Nazi origins. The Liberals, however, may not be the pliable and forward-looking allies that Kreisky expects them to be. Their representation in parliament may double to twelve seats. Moreover, high party spokesmen have strongly reiterated the party's pan-Germanic sentiments. Although these politically controversial statements were framed in cultural terms, they will, at a minimum, provide new fuel for Socialist opponents of a Liberal-Socialist coalition as well as for the Communists' anti-Kreisky campaign.

The challenge by the Peoples' Party to the legality of the elections is still pending before the Constitutional Court. Most legal experts, however, expect the court to reject the appeal.



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USSR: Scheduling a Supreme Soviet session to adopt the new five-year economic plan may be complicated by the leadership's heavy foreign travel commitments.

A high legislative official reportedly has suggested that the Supreme Soviet might meet in October and December, thereby conforming to the frequently violated constitutional requirement of two sessions a year. A newspaper editor, however, believes that the five-year plan will be passed by a session in December that will also adopt the annual plan.

The party congress last spring ordered the completed plan to be submitted for examination by the Supreme Soviet by 1 September but did not specify a deadline for passage. The leadership's recent preoccupation with international affairs and their heavy schedule of foreign travel the rest of the year probably are the main reasons for the uncertainty over the timing of the Supreme Soviet session.

There is no evidence that disagreements over basic elements of the plan are delaying its adoption. Work on the plan appeared to be progressing well through August. The trade union presidium reviewed a draft of the plan early that month. On 19 August politburo member Kirilenko announced that the plan had been completed "in the main" and reaffirmed that it would be submitted for consideration by the Supreme Soviet.



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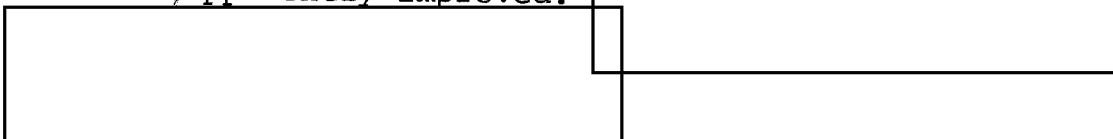
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YEMEN (SANA): Muhsin al-Ayni has been charged with forming a new cabinet to replace the short-lived government of the former premier, Hasan al-Amri, who was exiled after he murdered a local shopkeeper late last month.

As a condition for accepting the premiership, al-Ayni is reported to have insisted that the military budget be trimmed and that a recent ban on tribal subsidies be enforced. Although potentially risky, al-Ayni's demands probably have the backing of the high command of the army, which last week called for government reforms, including a review of the military budget.

As premier, al-Ayni will be faced with numerous domestic financial and political problems and several international issues, including whether to continue Yemen's support of the dissidents in Yemen (Aden) who have been operating out of Yemen (Sana).

En route home earlier this week from his ambassadorial post in Paris, al-Ayni stopped in Jidda for discussions with Saudi Arabian officials. Al-Ayni's relations with the Saudis--on whom the Yemen Government has been relying to ease the country's budget crisis--have been lukewarm in the past, but have, apparently improved.



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UGANDA: General Amin may soon face the consequences of a rapidly deteriorating economy and new tribal problems.

The economy, in bad enough shape during the administration of ex-president Obote, has been further aggravated by President Amin's failure to control defense spending. [REDACTED] the Defense Ministry already has committed the equivalent of its entire fiscal 1972 budget, and the government will be hard pressed to pay upcoming bills and government and military wages. If the government fails to meet its military payroll, its position would probably be imperiled by the tribalized and increasingly undisciplined army over which Amin seems to have exercised little control.

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Meanwhile, the president, before departing on a short European trip earlier this week, announced that he would not restore the traditional kingdom of the Baganda, Uganda's largest tribe, which was crushed by Obote in 1966. Amin had earlier vacillated on the matter, thereby raising hopes of the tribe's elders that the monarchy would be restored. Amin has so far enjoyed the support of the Baganda, but now that support could easily turn to hostility.

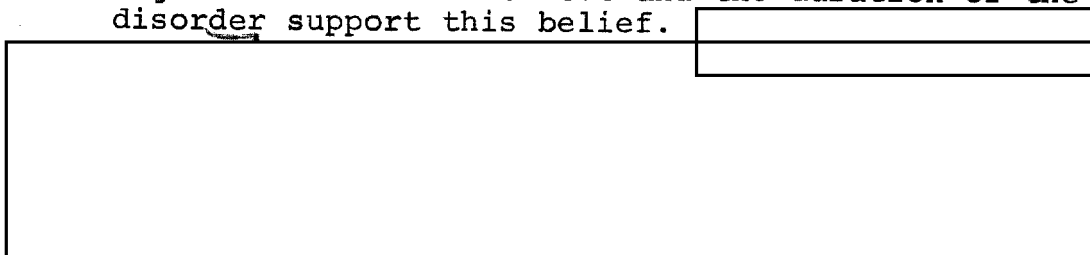
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NOTE

HONDURAS: Disorders continue to plague the already weak "unity" government of President Ramon Cruz. Demonstrations have tapered off but bombings continue; there was a powerful explosion this week at the offices of United Fruit Company in Tegucigalpa. General Lopez, Chief of the Armed Forces, has increased police vigilance in the capital city and has repeatedly declared his intention to "crack down." Little, however, has been accomplished, leading many Hondurans, including a considerable number of military officers, to express the belief that Lopez and Minister of Government Ricardo Zuniga are somehow involved. The manner in which these bombings have been carried out and the duration of the disorder support this belief.



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